



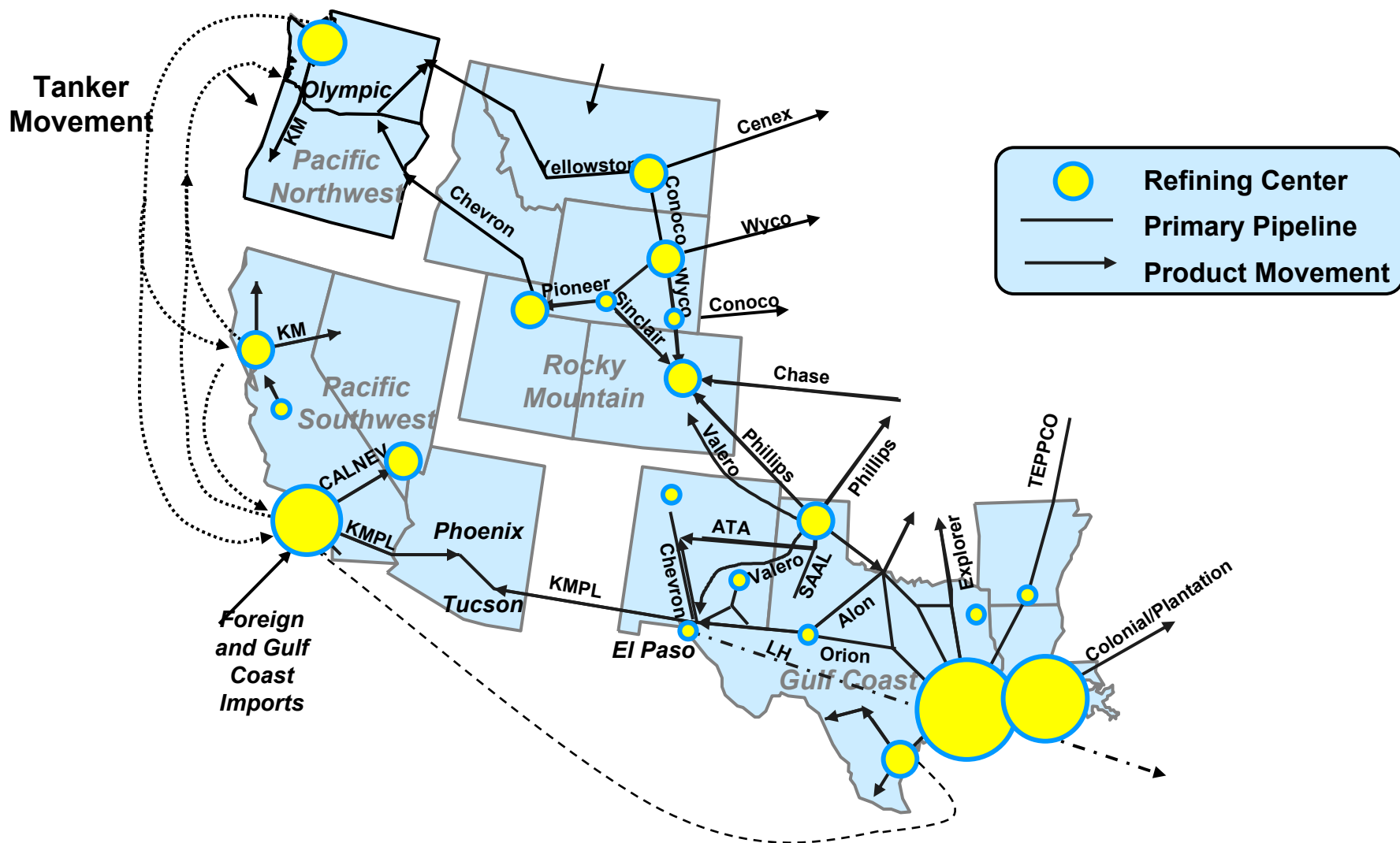
Motor Fuel Distribution in California

Tim Hamilton

Franchise Issues Director

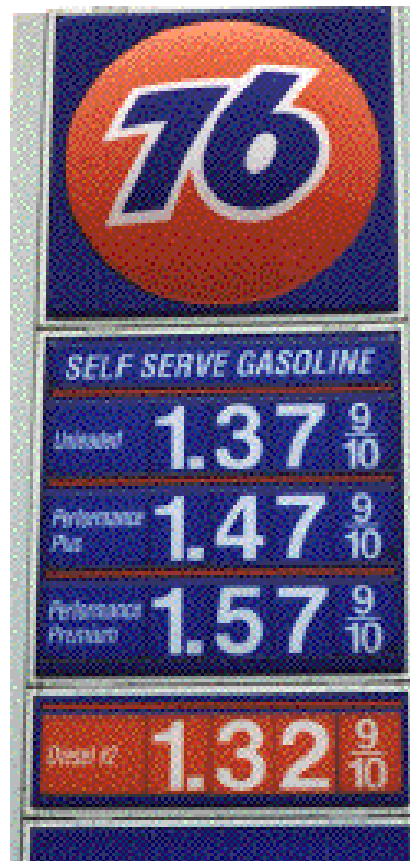
Automotive Trades Organization of
California (AuTO-CA)

Western Region Refined Product Supply-Demand Network





Hank Suderman Collection



Typical Wholesale Classes Of Trades

- Refiner branded direct delivery
- Refiner branded “jobber”
- Unbranded distributor or “jobber”
- Importer/trader

Retail outlets typically fall into the following categories

- Branded under a refiner trademark
- Private label by chain retailers
- Unbranded
- Hypermarketers (Costco, etc.)

Refiner Direct Delivery Branded Retail Classes Of Trade

- Salary or Company-Operated
- Fee Agent
- Lessee Dealer
- “Contract” or “Open” Dealer
- Jobber Supplied

Branded Contracts Grant Refiners Significant Control

- Non-negotiable wholesale prices
- Direct or indirect control of retail
- Arbitrary geographical boundaries to limit competition from wholesalers and retailers
- Limit competition from other refiners with real estate/supply options up to 10 years in length

The Difference In Pump Prices Between Geographical Areas

- The average retailer margin earned at the pump does not vary significantly (typically 10-14¢)
- Wholesale prices often vary and can differ up to 40¢ per gallon between stations of the same brand

Accusations Of Collusion Or Price Fixing

- Numerous recent investigations have not uncovered illegal actions
- Competitors “talk” with price signs and reporting services
- Exporting, limiting production, diverting supplies, etc. can spike prices without breaching laws



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